

BlockFi Inc.
Debtor

22-19361
Reporting Period: November 28-30, 2022

MONTHLY OPERATING REPORT
TABLE OF CONTENTS

Supporting Documentation	Page #
MOR Global Notes	1-4
Cash Receipts & Disbursements	5
Consolidated Balance Sheet	6
Consolidated Statement of Operations	7
Standalone Balance Sheet	8
Standalone Statement of Operations	9
Bank Accounts	10
Schedule of Capital Assets	11

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MONTHLY OPERATING REPORT

Notes to the Monthly Operating Report

This report includes activity from the following Debtors and their related Case Numbers:

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Notes to MOR:

On November 28th, 2022 (the “Petition Date”), BlockFi Inc. and eight of its affiliates (collectively, the “Debtors” or the “Company”) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors are operating their business and managing their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On November 28, 2022, the court entered an order [Docket No. 18] authorizing joint administration and procedural consolidation of these Chapter 11 cases pursuant to Bankruptcy Rule 1015(b) under the lead case *In re BlockFi Inc., et al.*, Case No. 22-19361. On December 21, 2022, the United States Trustee for the District of New Jersey (the “U.S. Trustee”) appointed an Official Committee of Unsecured Creditors (the “Creditors Committee”) [Docket No. 131]. No request for the appointment of a trustee or examiner has been made in these Chapter 11 cases.

The Debtors are filing their Monthly Operating Report solely for the purposes of complying with the monthly operating report requirements applicable in the Debtors' Chapter 11 cases. The financial and supplemental information contained herein is presented on a preliminary and unaudited basis, remains subject to future adjustments, and may not comply in all material respects with generally accepted accounting principles in the United States of America (“U.S. GAAP”) or International Financial Reporting Standards (“IFRS”). The consolidated balance sheet and income statement included herein include non-debtor entities, each of which are dormant entities with less than USD 10,000 in cash or cash equivalent assets. This Monthly Operating Report should not be relied on by any persons for information relating to future financial conditions, events, or performance of any of the Debtors or their affiliates.

The financial information has been derived from the books and records of the Debtors. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with U.S. GAAP or IFRS, and upon application of such procedures, the Debtors believe that the financial information could be subject to changes, which could be material. The information furnished in this report includes primarily normal recurring adjustments but does not include all adjustments that would typically be made for financial statements prepared in accordance with U.S. GAAP or IFRS. The preparation of the Financial Statements and MOR required the Debtors to make commercially reasonable estimates and assumptions with respect to the reported amounts of assets and liabilities, the amount of contingent assets and contingent liabilities at month end, and the reported amounts of revenues and expenses during the applicable reporting periods. Actual results could differ from such estimates.

All information presented has been translated using prevailing prices as of UTC 23:59:59 as of the applicable period end. When determining the prices for digital assets and liabilities, the Company assesses the principal market in which to sell the digital assets or in the absence of a principal market, the most advantageous market. Market prices for such assets and liabilities may be volatile and not be readily ascertainable. In addition, the Company’s ultimate realized value will be based on outcomes that are difficult to predict and outside of the control of the Company. As a result, amounts ultimately realized by the Company may differ from the fair values presented.

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Debtor

22-19361

Reporting Period: November 28-30, 2022

MONTHLY OPERATING REPORT

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Debtor	Case Number
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Client balances reflected in the financial statements and this Monthly Operating report are as of UTC 1:15:00 on November 11, 2022 (20:15:00 prevailing Eastern Time on November 10, 2022).

The Debtors reserve all rights to amend or supplement this Monthly Operating Report in all respects, as may be necessary or appropriate. Nothing contained in this Monthly Operating Report shall constitute a waiver of any of the Debtors' rights or an admission with respect to their Chapter 11 cases.

Debtor Full-Time Employees:

This MOR includes the number of full-time employees as of the Petition Date and November 30. As described in the Wages Motion [Docket No. 16], the Debtors also employ Independent Contractors located outside of the United States, whose salaries and benefits are included in the payroll amounts included in the MOR for the employing debtor entity.

Notes to MOR Part 1

For the avoidance of doubt, the bank accounts, cash balances and associated cash receipts and disbursements set forth do not include cash held in the "for the benefit of" accounts ("FBO Accounts") as described in the *Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to (A) Honor Withdrawals from Wallet Accounts, (B) Update the User Interface to Properly Reflect Transactions and Assets as of the Platform Pause, and (C) Conduct Ordinary Course Reconciliation of Accounts, and (II) Granting Related Relief* (the "Wallet Withdrawal Motion") [Docket No. 121]. As discussed in the Wallet Withdrawal Motion, the Debtors do not have a legal or equitable interest in the cash held in the Wallet Accounts; such held funds are owned by the Debtors' clients. Note that digital assets attributable to Wallet Accounts are separately captured in Part 2 under Inventory (2c).

There are certain reconciling items between the BlockFi Inc. November 30, 2022, cash balance in the balance sheet and the amounts reflected in the Bank Account schedules.

- A Silicon Valley Bank account statement (ending in #7263) does not properly reflect a month-end transfer to Acct 0719 in an amount of \$1,070,619.61. Silicon Valley Bank had a technical issue with its account during the stub period of 11/28/22 - 11/30/22 in which the bank statements did not appropriately reflect the ending balance of the accounts. The individual transaction detail within the bank accounts shows that \$1,070,619.62 was auto swept to the Silicon Valley Bank account ending in 0719 on 11/30, despite the Money Market Fund account ending in #7263 not reflecting this change until 12/1/22. Given the account ending in 0719 disburses actual payments to external parties, BlockFi has reflected the time stamp of the 0719 account for the purposes of the cash balances and disbursements.

BlockFi Inc.
Debtor

22-19361
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MONTHLY OPERATING REPORT

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Debtor	Case Number
BlockFi Inc.	22-19361

- In addition, the Company includes \$3,478,570.10 posted as margin in “Other Current Assets” on the 11/30 Balance Sheet. This USD maintains a margin position for a put spread hedging strategy in support of BlockFi’s active and ongoing mining loan portfolio management.
- The Airbase Inc. Clearing Account balance of \$75,267.82 has been included in BlockFi Inc. “Cash” account on the Balance Sheet as of 11/30/22. This cash balance has not historically been shown on the Company’s cash account disclosures since Airbase Inc. is not a bank account. Airbase Inc. holds a prefunded amount of cash for the Company’s corporate credit card expenditures and Airbase pays external parties on BlockFi’s behalf from this pre-funded amount. The cash disbursement is reflected as a movement of cash from BlockFi’s cash balances to Airbase Inc. as described in the Cash Management Motion.

Notes to MOR Part 2 & MOR Part 4

The information contained in MOR Part 2 and MOR Part 4 is provided to fulfill the requirements of the U.S. Trustee. All information contained in MOR Part 2 and MOR Part 4 is unaudited and subject to future adjustment.

Accounts receivable (2a) represents the fair market value of digital asset loans (“Digital Asset Loans”), principal value of USD-denominated fiat and stablecoin loans without reserves (“USD Denominated Loans”), accrued and unpaid interest owed to BlockFi denominated in digital assets (“Digital Assets Receivable”), accrued and unpaid interest owed to BlockFi denominated in USD (“Interest Receivable”), default or penalty interest where applicable (“Default Interest”), and intercompany receivables between BlockFi entities (“Intercompany Receivables”).

Inventory (2c) includes digital assets held in custody at entities which are not undergoing their own bankruptcy proceeds, and thus excludes digital assets BlockFi holds with FTX.com.

Post-petition payables (2f) include general accounts payable and other accrued expenses and liabilities, inclusive of post-petition interest accrued for the BlockFi Interest Account and BlockFi Private Client open term and fixed term accounts as well as collateral posted to BlockFi by borrowers. Post-petition payable accounts reflect a contra liability for payroll that has been funded to the payroll service provider (e.g., TriNet) but not yet invoiced; for November, payroll was funded on 11/30/22 but any invoices, as standard for our providers, were not in hand until December. Therefore, as of 11/30/22, BlockFi reflects the amount pre-paid and will net the account against any invoices when received.

Prepetition priority debt (2l) reflects 401k and other employee benefits related liabilities for November which are withheld by the Company’s payroll service provider (Trinet) and returned to the Company for the benefit of

BlockFi Inc.
Debtor

22-19361

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MONTHLY OPERATING REPORT

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the contributing employee. These payments are typically cleared by Great-West Trust Payments. Due to a timing mismatch, Great-West Trust had not yet cleared the November charge as of 11/30/22, but TriNet had already invoiced BlockFi for this pre-petition amount, reflective of the pay period ending 11/18/22.

Selling expenses (4d) and General and Administrative expenses (4e) reflect the utilization of discounts and pre-payments thus creating contra expenditures in certain instances.

Other expenses (4f) reflect the impact of price changes during the stub period for digital asset translation adjustments.

Notes to MOR Part 7

Pursuant to certain orders of the Court in the chapter 11 cases entered shortly after the Petition Date [Docket Nos. 43-44, 49, 50-52, and 55] (collectively, the "First Day Orders"), the Debtors were granted authority to pay certain outstanding prepetition payables, including payments outlined in the Cash Management, Tax, Utility, Insurance, Critical Vendor, and Wage Motions [Docket Nos. 7, 9-11, 13, and 16, respectively].

BlockFi Inc.
Debtor

22-19361
Reporting Period: November 28-30, 2022

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Debtor name:	BlockFi Inc.
Case number:	22-19361
CASH BEGINNING OF PERIOD	\$ 261,554,673
RECEIPTS	
Lending Receipts	30,429
TOTAL RECEIPTS	30,429
DISBURSEMENTS	
Salaries & Benefits	(2,318,000)
Taxes	(1,458)
Checks Paid	(4)
TOTAL DISBURSEMENTS	(2,319,463)
TRANSFERS	
Transfer To #8628	(1,157)
Transfer To #0719	(1,070,620)
Transfer from #4091	1,218,387
Cash Redemption	1,072,078
TOTAL TRANSFERS	1,218,688
NET CASH FLOW	-
(RECEIPTS LESS DISBURSEMENTS)	(1,070,346)
CASH END OF MONTH	\$ 260,484,327

BlockFi Inc
Debtor

22-19361
Reporting Period: November 28-30, 2022

PART 2
CONSOLIDATED BALANCE SHEET (UNAUDITED)

Debtor name:	BlockFi Inc
Case number:	22-19361
Line item	Current Period
ASSETS	
CURRENT ASSETS	
Cash	\$ 285,575,237
Restricted Cash	11,080,019
Stablecoin Held	28,284,466
Digital Assets Held	229,021,794
Indemnification Asset	315,080,470
Digital Assets Loaned	69,390,968
Loans, Net	366,415,510
Collateral Receivable	55,069,696
Other Current Assets	29,114,134
Claims on Debtors in Bankruptcy (Estimate)	1,165,692,019
TOTAL CURRENT ASSETS	2,554,724,313
NON-CURRENT ASSETS	
Deferred Tax Assets	150,700,000
Deferred Tax Assets, Valuation Allowance	(150,700,000)
Other Non-current Assets	19,199,187
TOTAL NON-CURRENT ASSETS	19,199,187
TOTAL ASSETS	2,573,923,499
LIABILITIES AND STOCKHOLDERS' DEFICIT	
LIABILITIES	
Other Liabilities	
Safeguarding Liability	315,080,470
Regulatory Fines Payable	59,433,962
TOTAL OTHER LIABILITIES	374,514,432
Liabilities Subject to Compromise	
Customer Liabilities	1,542,114,091
USD Collateral Due to Clients	5,339,981
Digital Asset Collateral Due to Clients	479,166,841
Institutional Borrowings	34,775,544
FTX Borrowings and Accrued Interest Payable	279,729,452
Accrued Expenses and Other Liabilities	7,724,726
TOTAL LIABILITIES SUBJECT TO COMPROMISE	2,348,850,635
TOTAL LIABILITIES	2,723,365,067
TOTAL STOCKHOLDERS' DEFICIT	(149,441,568)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 2,573,923,499

BlockFi Inc
Debtor

22-19361
Reporting Period: November 28-30, 2022

PART 4
CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

Debtor name:	BlockFi Inc
Case number:	22-19361
Line Item	Current period
REVENUE AND INTEREST INCOME	
Interest and Fee Revenue	\$ 1,104,456
Other Revenue	3,143
TOTAL REVENUE AND INTEREST INCOME	1,107,599
INTEREST AND TRADING EXPENSES	
Interest and Fee Expense	428,450
TOTAL INTEREST AND TRADING EXPENSES	428,450
OPERATING EXPENSES	
Personnel Expenses	72,552
Sales and Marketing	(19,000)
General and Administrative	87,183
Software and Technology	324,178
TOTAL OPERATING EXPENSES	464,913
OTHER OPERATING INCOME / (LOSS)	83,081,390
NET PROFIT / (LOSS)	\$ 83,295,626

BlockFi Inc
Debtor

22-19361
Reporting Period: November 28-30, 2022

PART 2
UNCONSOLIDATED BALANCE SHEET (UNAUDITED)

Debtor name:	BlockFi Inc
Case number:	22-19361
Line item	Current Period
ASSETS	
Cash	\$ 259,404,308
Restricted Cash	1,080,019
Digital Assets Held	23,274
Collateral Receivable	3,478,551
Intercompany Receivable from Affiliate Entities	951,789,109
Other Current Assets	12,332,942
TOTAL CURRENT ASSETS	1,228,108,202
NON-CURRENT ASSETS	
Deferred Tax Assets	150,700,000
Deferred Tax Assets, Valuation Allowance	(150,700,000)
Investment in Subsidiaries	541,275,341
Other Non-current Assets	13,947,124
TOTAL NON-CURRENT ASSETS	555,222,465
TOTAL ASSETS	1,783,330,667
LIABILITIES AND STOCKHOLDERS' DEFICIT	
LIABILITIES	
Other Liabilities	
Liabilities Subject to Compromise	
Customer Liabilities	984,933,898
Intercompany Payable to Affiliate Entities	663,419,141
FTX Borrowings	275,000,000
FTX Borrow Interest Payable	4,729,452
Accrued Expenses and Other Liabilities	5,189,745
TOTAL LIABILITIES SUBJECT TO COMPROMISE	1,933,272,236
TOTAL LIABILITIES	1,933,272,236
TOTAL STOCKHOLDERS' DEFICIT	(149,941,568)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,783,330,667

BlockFi Inc
Debtor

22-19361
Reporting Period: November 28-30, 2022

PART 4
UNCONSOLIDATED STATEMENT OPERATIONS
(UNAUDITED)

Debtor name:	BlockFi Inc
Case number:	22-19361
Line Item	Current period
REVENUE AND INTEREST INCOME	
Interest and Fee Revenue	\$ 42
TOTAL REVENUE AND INTEREST INCOME	42
INTEREST AND TRADING EXPENSES	
Interest and Fee Expense	266,113
TOTAL INTEREST AND TRADING EXPENSES	266,113
OPERATING EXPENSES	
Sales and Marketing	(19,000)
General and Administrative	(131,548)
Software and Technology	324,178
TOTAL OPERATING EXPENSES	173,630
OTHER OPERATING INCOME / (LOSS)	269,527
NET PROFIT / (LOSS)	\$ (170,174)

BlockFi Inc
Debtor

22-19361
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11/30 BANK ACCOUNTS

Entity name:	Bank name	Account type	Account number (last four digits)	Period-end bank balance	Currency
BlockFi Inc	Silvergate	Operational account	-4183	\$ -	USD
BlockFi Inc	Silvergate	SEN Account to 4183	-4191	0	USD
BlockFi Inc	SVB	BlockFi Inc Checking	-0719	1,000,039	USD
BlockFi Inc	SVB	COLLATERAL MMA - Office Lease	-2610	330,025	USD
BlockFi Inc	SVB	COLLATERAL MMA - Ankura Trust	-3354	749,994	USD
BlockFi Inc	SVB	COLLATERAL MMA - Spartanburg	-7779	3,999,969	USD
BlockFi Inc	SVB	SVB Cash Sweep Account	-7263	254,328,354	USD
BlockFi Inc	Exchange	Paxos	N/A	677	USD
Total Debtor Amount				\$ 260,409,059	USD

BlockFi Inc.

22-19361

Debtor

Reporting Period: November 28-30, 2022

Schedule of Capital Assets

Asset Type	11/28/22 BV	Amortization	11/30/22 BV
Fixed Assets	\$ 7,535.51	-	\$ 7,535.51
Internally Developed Software	2,726,996.50	-	2,726,996.50
Leasehold Improvements	59,440.47	-	59,440.47
Software	58,333.30	-	58,333.30
Total	\$ 2,852,305.78	-	\$ 2,852,305.78